



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
PENDLETON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PENDLETON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Pendleton County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Comment And Recommendation:**

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

#### **Financial Condition:**

- General Fund Type operating revenues increased by \$274,234 and budgeted expenditures increased by \$380,656 from the prior fiscal year, however, fund balances decreased by \$50,921. Operating revenues from the General and Road and Bridge Fund generated seventy-five percent of the operating revenues for all General Fund Type accounts. Budgeted expenditures from the General and Road and Bridge Fund accounted for seventy-four percent of the budgeted expenditures for all General Fund Type accounts.
- Special Revenue Fund Type operating revenues increased by \$443,057, budgeted expenditures increased by \$315,748, and fund balances increased by \$83,335. The CDBG and E-911 Fund generated sixty-three percent of the operating revenues for all Special Revenue Fund Type accounts. Budgeted expenditures from the Ambulance and E-911 Fund accounted for sixty-three percent of the budgeted expenditures for all Special Revenue Fund Type accounts.

#### **Deposits:**

As of June 30, 2001, public funds totaling \$120,553 were uninsured and unsecured by bank securities.

#### **Water District Capital Lease-Purchase Agreement:**

The capital lease principal agreement totaled \$97,000 as of June 30, 2001. Future principal and interest payments of \$154,358 are needed to meet these obligations.

#### **Kentucky Area Development District Interim Financing:**

The capital lease principal agreement totaled \$275,000 as of June 30, 2001. Future principal and interest payments of \$281,985 are needed to meet these obligations.

#### **Bonds Outstanding:**

Bond principal outstanding for the Public Properties Corporation Fund totaled \$1,750,000 as of June 30, 2001.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Henry W. Bertram, Pendleton County Judge/Executive

Members of the Pendleton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Pendleton County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Pendleton County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Pendleton County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Pendleton County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Henry W. Bertram, Pendleton County Judge/Executive  
Members of the Pendleton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2002 on our consideration of Pendleton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Pendleton County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 30, 2002



PENDLETON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Henry W. Bertram	County Judge/Executive
Lee Roy Faulkner	Magistrate
Jeff Dicken	Magistrate
David Dunaway	Magistrate
William L. Klaber	Magistrate
Anthony Messmer	Magistrate
Jack Sumpter	Magistrate
Sandra Jo Wells	Magistrate
James Roseberry	Magistrate

**Other Elected Officials:**

C. Donald Wells	County Attorney
Richard A. Colvin	Jailer
Bonnie S. Monroe	County Clerk
Mike Redden	Circuit Court Clerk
Lark Edward O'Hara	Sheriff
John Steele	Property Valuation Administrator
John Peoples	Coroner

**Appointed Personnel:**

Dennis Moneyhon	County Treasurer
Kandra Browning	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

PENDLETON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$	471,621
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Road and Bridge Fund:

Cash		483,892
------	--	---------

Jail Fund:

Cash		34,075
------	--	--------

Local Government Economic Assistance Fund:

Cash		1,219,169
------	--	-----------

Special Revenue Fund Type

CDBG Fund:

Cash		1,388
------	--	-------

Ambulance Fund:

Cash		42,712
------	--	--------

Flood Fund:

Cash		14,967
------	--	--------

E-911 Fund:

Cash		139,161
------	--	---------

Mental Health/Mental Retardation Fund:

Cash	145,289	\$ 2,552,274
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Debt Service Fund Type

Public Properties Corporation Fund:

Cash	\$ 280,031	
Investments	583,235	863,266

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Lease Principal Payments		97,000
---	--	--------

Debt Service Fund Type

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments		886,734
--	--	---------

Total Assets and Other Resources

	\$ 4,399,274	
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The accompanying notes are an integral part of the financial statements.

PENDLETON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Principal Obligation (Note 4)	\$	97,000
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Debt Service Fund Types

Public Properties Corporation Fund:

Bonds Not Matured (Note 6)		1,750,000
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Fund Balances

Reserved:

Special Revenue Fund Type

CDBG Fund	\$	1,388	
Ambulance Fund		42,712	
Flood Fund		14,967	
E-911 Fund		139,161	
Mental Health/Mental Retardation Fund		<u>145,289</u>	343,517

Unreserved:

General Fund Type

General Fund	\$	471,621	
Road and Bridge Fund		483,892	
Jail Fund		34,075	
Local Government Economic Assistance Fund		<u>1,219,169</u>	<u>2,208,757</u>

Total Liabilities and Fund Balances			<u>\$ 4,399,274</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

PENDLETON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,582,137	\$ 1,002,858	\$ 1,050,266	\$ 88,309
Transfers In	732,829	72,076		337,000
Total Cash Receipts	<u>\$ 4,314,966</u>	<u>\$ 1,074,934</u>	<u>\$ 1,050,266</u>	<u>\$ 425,309</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,305,891	\$ 741,197	\$ 1,159,578	\$ 407,583
Transfers Out	732,829	297,000	58,037	
Bonds:				
Principal Paid	90,000			
Interest Paid	107,458			
Capital Lease:				
Principal Paid	4,000	4,000		
Total Cash Disbursements	<u>\$ 4,240,178</u>	<u>\$ 1,042,197</u>	<u>\$ 1,217,615</u>	<u>\$ 407,583</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 74,788	\$ 32,737	\$ (167,349)	\$ 17,726
Cash Balance - July 1, 2000	<u>3,352,906</u>	<u>438,884</u>	<u>651,241</u>	<u>28,503</u>
Cash Balance - June 30, 2001*	<u><u>\$ 3,427,694</u></u>	<u><u>\$ 471,621</u></u>	<u><u>\$ 483,892</u></u>	<u><u>\$ 46,229</u></u>

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.



PENDLETON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

General Fund Type	Special Revenue Fund Type				
Local Government Economic Assistance Fund	Community Development Block Grant Fund	Ambulance Fund	Flood Fund	E-911 Fund	Mental Health/ Mental Retardation Tax Fund
\$ 620,315 1,731	\$ 240,933 1,008	\$ 205,194 60,000	\$ 2,595	\$ 241,147 63,722	\$ 87,980
<u>\$ 622,046</u>	<u>\$ 241,941</u>	<u>\$ 265,194</u>	<u>\$ 2,595</u>	<u>\$ 304,869</u>	<u>\$ 87,980</u>
\$ 257,781 298,300	\$ 162,792 77,761	\$ 248,434	\$ 1,731	\$ 220,907	\$ 107,619
<u>\$ 556,081</u>	<u>\$ 240,553</u>	<u>\$ 248,434</u>	<u>\$ 1,731</u>	<u>\$ 220,907</u>	<u>\$ 107,619</u>
\$ 65,965 1,153,204	\$ 1,388	\$ 16,760 25,952	\$ 864 14,103	\$ 83,962 55,199	\$ (19,639) 164,928
<u>\$ 1,219,169</u>	<u>\$ 1,388</u>	<u>\$ 42,712</u>	<u>\$ 14,967</u>	<u>\$ 139,161</u>	<u>\$ 145,289</u>

The accompanying notes are an integral part of the financial statements.

PENDLETON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

	Debt Service Fund Type
	Public Properties Corporation Fund
<u>Cash Receipts</u>	
Schedule of Operating Revenue	\$ 42,540
Transfers In	<u>197,292</u>
Total Cash Receipts	<u>\$ 239,832</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$
Transfers Out	
Bonds:	
Principal Paid	90,000
Interest Paid	107,458
Capital Lease:	
Principal Paid	<u></u>
Total Cash Disbursements	<u>\$ 197,458</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 42,374
Cash Balance - July 1, 2000	<u>820,892</u>
Cash Balance - June 30, 2001*	<u><u>\$ 863,266</u></u>

\*Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

PENDLETON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Pendleton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Pendleton County Public Properties Corporation as part of the reporting entity.

The Pendleton County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Pendleton County Fiscal Court is financially accountable for the component unit; therefore, management must include the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

Additional - Pendleton County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Pendleton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Pendleton County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Pendleton County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund (LGEA).

PENDLETON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant Fund (CDBG), Ambulance Fund, Flood Fund, E-911 Fund, and Mental Health/Mental Retardation Tax Fund are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Pendleton County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

PENDLETON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pendleton County Fiscal Court: Pendleton Water District, East Pendleton Water District, Airport Board, Conservation District, and Library.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the Parks and Recreation Agency is a joint venture among Pendleton County, the City of Falmouth, the City of Butler, and the Pendleton County School. The Planning Commission is a joint venture among Pendleton County, the City of Falmouth, and the City of Butler.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

PENDLETON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$120,553 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2001.

	<u>Bank Balance</u>
Insured or collateralized with securities held by pledging depository institution in the county's name	\$ 1,850,000
Uncollateralized and uninsured	<u>120,553</u>
Total	<u><u>\$ 1,970,553</u></u>

Note 4. Water District Capital Lease-Purchase Agreement

On April 3, 1997, Pendleton County Fiscal Court entered into a twenty-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) for the financing and purchase of a 3,700 square foot commercial and office building and land for the Pendleton County Water District. Interest is paid on a monthly basis, and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2017, as shown in the following table.

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001-02	\$ 6,079	\$ 4,000
2002-03	5,824	4,000
2003-04	5,569	4,000
2004-05	5,287	5,000
2005-06	4,968	5,000
2006-2017	<u>29,631</u>	<u>75,000</u>
Totals	<u><u>\$ 57,358</u></u>	<u><u>\$ 97,000</u></u>

PENDLETON COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 4. Water District Capital Lease-Purchase Agreement (Continued)

The Pendleton County Fiscal Court subsequently entered into a sublease agreement with the Pendleton County Water District for the building and land. As of fiscal year end, the Water District was in substantial compliance with the terms of the sublease agreement.

Note 5. Kentucky Area Development District Interim Financing

On September 1, 1998, the Pendleton County Fiscal Court entered into a three-year lease with the Kentucky Area Development Districts Financing Trust in the amount of \$275,000 for interim financing of the detention facility project. The one time principal payment of \$275,000 is due in November 2001 while the interest is due bi-annually in November and May starting November 1998 and ending November 2001. The following table presents a schedule of remaining payments as of June 30, 2001.

<u>Payment Date</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
11-20-01	\$ 275,000	\$ 6,985

Note 6. Bonds Outstanding

The Pendleton County Public Properties Corporation issued Certificates of Participation Series 1993 dated January 1, 1994 in the amount of \$1,930,000. Principal payments are due February 1 of each year through February 1, 2014. Interest on the Certificates of Participation varies from 3.25% to 6.25% and is payable each February 1 and August 1. The following table shows future bond payments due.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001-02	5.10%	102,958	95,000
2002-03	5.20%	98,112	100,000
2003-04	5.30%	92,912	105,000
2004-05	5.45%	87,347	110,000
2005-06	5.55%	81,353	120,000
2006-2014	5.70-6.25%	363,160	1,220,000
Totals		<u>\$ 825,842</u>	<u>\$ 1,750,000</u>

PENDLETON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2001, Pendleton County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Jail Canteen Fund

Jail Canteen operations are authorized under KRS 441.135(1), which allows the Jailer to sell snacks, sodas, cigarettes, etc. to inmates incarcerated in the local jail. The profits generated from the sale of these items are to be used for the benefit or recreation of the inmates. Also applicable to Canteen operations are KRS 441.135(2), and Technical Audit Bulletin 93-002. KRS 441.135(2) requires the Jailer to maintain minimum accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides further accounting and expenditure guidance for acceptable Jail Canteen operation.

During the Fiscal Year Ending June 30, 2001, the Pendleton County Jail Canteen received \$5,163 and expended \$5,178. The Jail Canteen reported June 30 ending balances of \$2,780 and of \$2,765 for 2000 and 2001 respectively.



COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



PENDLETON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,372,972	\$ 1,002,858	\$ (370,114)
Road and Bridge Fund	867,233	1,050,266	183,033
Jail Fund	491,382	88,309	(403,073)
Local Government Economic Assistance Fund	580,268	620,315	40,047
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	1,380,297	240,933	(1,139,364)
Ambulance Fund	296,800	205,194	(91,606)
Flood Fund	235,500	2,595	(232,905)
E-911 Fund	231,503	241,147	9,644
Mental Health/Mental Retardation Tax Fund	80,750	87,980	7,230
Totals	<u>\$ 5,536,705</u>	<u>\$ 3,539,597</u>	<u>\$ (1,997,108)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,536,705
Add: Budgeted Prior Year Surplus			2,584,000
Less: Other Financing Uses			<u>(476,458)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,644,247</u>

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SCHEDULE OF OPERATING REVENUE



PENDLETON COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES		
		General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 953,440	\$ 699,405	\$ 254,035	\$
Excess Fees	45,677	45,677		
Licenses and Permits	925	925		
Intergovernmental Revenues	1,970,804	1,648,635	322,169	
Charges for Services	293,925	112,582	181,343	
Miscellaneous Revenues	122,288	121,984	304	
Interest Earned	195,078	132,540	19,998	42,540
Total Operating Revenue	<u>\$ 3,582,137</u>	<u>\$ 2,761,748</u>	<u>\$ 777,849</u>	<u>\$ 42,540</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



PENDLETON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 457,948	\$ 384,833	\$ 73,115
Protection to Persons and Property	612,199	527,961	84,238
General Health and Sanitation	678,820	70,366	608,454
Social Services	259,500	6,950	252,550
Recreation and Culture	29,920	24,088	5,832
Roads	1,493,133	1,127,824	365,309
Airports	4,000	4,000	
Debt Service	23,522	22,310	1,212
Capital Projects	83,000	67,134	15,866
Administration	1,553,355	330,673	1,222,682
Total Operating Budget - All General Fund Types	\$ 5,195,397	\$ 2,566,139	\$ 2,629,258
Other Financing Uses:			
Water District Capital Lease Obligation- Principal	4,000	4,000	
Transfers to Public Property Corporation Funds	197,458	197,292	166
Jail Capital Lease Obligation- Principal on Lease	275,000		275,000
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 5,671,855</u>	<u>\$ 2,767,431</u>	<u>\$ 2,904,424</u>
	SPECIAL REVENUE FUND TYPE		
General Government	\$ 21,217	\$	\$ 21,217
Protection to Persons and Property	691,752	506,392	185,360
General Health and Sanitation	1,219,750	175,580	1,044,170
Social Services	9,011	4,808	4,203
Capital Projects	205,579	28,801	176,778
Administration	301,541	24,171	277,370
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 2,448,850</u>	<u>\$ 739,752</u>	<u>\$ 1,709,098</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Henry W. Bertram, Pendleton County Judge/Executive  
Members of the Pendleton County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Pendleton County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated May 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pendleton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pendleton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 30, 2002



COMMENT AND RECOMMENDATION



PENDLETON COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2001

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On June 30, 2001, \$120,553 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive Henry W. Bertram's Response:*

*Due to unanticipated receipts we realize that a short fall of securities occurred and have since increased the securities by \$1,000,000 to cover any future revenues being secured.*

PRIOR YEAR FINDINGS

There were no reported prior year findings.



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

PENDLETON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

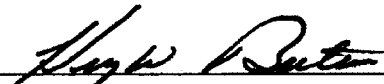
Appendix A



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
PENDLETON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Pendleton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Henry W. Bertram  
County Judge/Executive

  
\_\_\_\_\_  
Dennis Moneyhon  
Former County Treasurer